LOOP ENERGY INC.

Management's Discussion and Analysis

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

DATED NOVEMBER 10, 2021

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INTRODUCTORY NOTES

Loop Energy Inc. ("**Loop**", "**Company**", "**we**", "**us**" or "**our**") has prepared the following management's discussion and analysis ("**MD&A**") as of November 10, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company and the notes thereto for the three and nine months ended September 30, 2021 and the audited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") and have been filed with the securities regulatory authorities on SEDAR at www.sedar.com. All references to "$" are references to Canadian dollars, unless otherwise stated. The functional currency of certain of the Company's subsidiaries is the Renminbi and all balances have been translated to the presentation currency of the Company, the Canadian dollar.

Additional information relating to the Company is available on SEDAR at www.sedar.com. The Company's common shares trade on the Toronto Stock Exchange ("**TSX**") under the symbol "LPEN".

Trademarks and Trade Names

This MD&A includes the Company's eFlow™ trademark. This trademark is protected under applicable intellectual property laws and is the Company's property. The Company's trademark may appear without the ™ symbol in this MD&A, but such absence is not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, the Company's rights to this trademark. All other trademarks and trade names used in this MD&A are the property of their respective owners.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking information" within the meaning of Canadian securities legislation that involve risks, uncertainties and assumptions and relate to the Company's current expectations and views of future events. In certain cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "project", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the Company's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding the Company's expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information, including:

- our liquidity needs and our estimation that we will have sufficient liquidity to execute our operating plans for at least the next twelve months;
- our future growth prospects, business outlook, manufacturing capacity and customer base, including our expected expansion into China and our ability to meet localized requirements in China;
- our ability to protect our intellectual property and to meet manufacturing cost reduction targets;
- the expected centralization of the manufacturing of certain of our key components and producing bipolar plates in China;
- the realization of electrification of transportation, elimination of diesel fuel and ongoing government support of such developments;
- the expected growth in demand for fuel cells for the commercial transportation market;
- our belief that zero emission vehicles are one of the only viable options for a sustainable future;
- our ability to secure future firm order commitments under customer and/or partner agreements, including without limitation, collaboration agreements, joint market development agreements, strategic cooperation agreements, memorandums of understanding and supply agreements;
- our ability to manufacture and deliver our products on time to meet customer requirements;

- expected completion dates for potential material transactions with customers, suppliers and other third parties;;
- our anticipated first commercial shipment of the T600 fuel cell and our planned field deployment of our next generation fuel cell stack;
- our anticipated completion of milestones with Sustainable Development Technology Canada.
- our expectation that our warranty provision, for accounting purposes, will reduce due to expected reduced raw material and production costs associated with the completion of the Loop Shanghai production facility; and
- the extent of the disruption to and/or adverse impact on our business, operation results and financial condition as a result of the COVID-19 pandemic.

Forward-looking statements are based on certain assumptions and analyses made by the Company based upon management's experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate, which are subject to risks and uncertainties, many of which are beyond our control. Although the Company believes that the assumptions underlying these statements are reasonable, if any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those anticipated in those forward-looking statements and there can be no assurance that actual results will be consistent with these forward-looking statements. Certain of these risks are included in "*Risks and Uncertainties*" in this MD&A and "Risk Factors" in the Company's Annual Information Form dated March 30, 2021 (the "**AIF**"), which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A.

Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements and the Company cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods. Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

OUR BUSINESS

We are a designer of polymer electrolyte membrane ("**PEM**") fuel cell systems targeted for the electrification of commercial vehicles. Our mission is to create world-changing fuel cell products through ingenuity and customer collaboration to drive a thriving hydrogen society. We sell and service two categories of products, fuel cell stacks and fuel cell modules, which are intended to serve a variety of commercial applications including light commercial vehicles, transit buses, medium and heavy-duty trucks, marine, train, mining trucks, material handling vehicles, and stationary power. We are based in British Columbia, Canada, with our head office and a manufacturing facility in Burnaby, British Columbia, and we are currently fitting-out a China-based manufacturing facility.

With expanding e-commerce freight demands, we believe that zero emission vehicles (vehicles that do not directly produce atmospheric pollutants) are one of the only viable options for a sustainable future. Commercial vehicles powered solely by lithium-ion batteries are a part of the solution, however, fully battery-powered commercial vehicles are unable to economically meet critical functional characteristics such as range, payload and refueling times that we believe are required for mass-market adoption. We believe that a fuel cell system combined with lithium-ion batteries is the best solution that meets these requirements.

Our products feature our proprietary eFlow™ technology in the fuel cell stack's bipolar plates. eFlow™ was designed to enable commercial customers to achieve performance maximization and cost minimization. eFlow™ technology uses a tapered channel, rather than a typical rectangular shaped fuel cell channel, thereby decreasing the cross-sectional area and increasing gas velocity, allowing for higher power, increased fuel efficiency, and increased expected durability of the fuel cell.

We assemble fuel cell stacks that use our proprietary eFlow™ bipolar plate technology. Our fuel cell stacks can be used as standalone units or in a twin-stack system, where two fuel cell stacks are connected with a common balance of plant to reduce overall volume. Our fuel cell stacks have different power ranges, which we believe make them suitable for a variety of different applications.

We believe that our fuel cell systems provide leading fuel efficiency, higher durability, and increased power capabilities, when compared to those of our competitors'.[1]

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[1] When compared with fuel cell stacks of the same size as measured by total active area.

RECENT DEVELOPMENTS

Contracts

In September 2021, Loop announced a partnership with METTEM-M Ltd., a developer of vehicle control systems and systems integrator, to provide hydrogen electric powertrain solutions to commercial vehicle OEMs across Russia, the Commonwealth of Independent States, and greater Europe. Under this agreement, METTEM will use Loop's eFlow™ powered fuel cell modules to develop and supply hydrogen electric subsystems, powertrains, and complete vehicle solutions for a variety of applications including transit buses, logistics vehicles, and rail transport.

In September 2021, Loop announced plans to collaborate with Hydrogen In Motion ("H2M") on converting a southern railway of British Columbia-owned and operated diesel electric switcher locomotive to hydrogen electric. The two British Columbia-based companies will use locally developed technology, including Loop Energy's 50kw eFlow™ fuel cell system and a low-pressure solid-state hydrogen storage tank developed by H2M. The project signifies the first instance of Loop supplying its products for use in a rail transport application.

In August 2021, Loop announced the placement of the order for the first eFlow™ powered Hydrogen Fuel Cell Systems under a commercial agreement with NGVI, a South Korean-based manufacturer of turn-key compressed natural gas and hydrogen fuel systems for transit and coach bus applications. Under the agreement, Loop Energy will supply NGVI with the latest generation of its hydrogen fuel cell system offering featuring a fully integrated package of fuel cell module, cooling system and DCDC power conditioning equipment. NGVI is well positioned as a supplier within the South Korean bus market, with Seoul Bus company and TCHA Partners having a share of ownership in NGVI.

In August 2021, Loop announced a joint market development agreement with Técnicas Reunidas ("**TR**"), a global provider of services for investors in hydrogen infrastructure based in Madrid, Spain. Under this agreement, both parties will aim to secure future opportunities that require both TR's hydrogen know-how and Loop Energy's fuel cell technology. The initial scope of this joint market agreement focuses on providing hydrogen-based solutions to several key vertical markets: transport agencies, truck, transit and coach bus service fleets, materials handling, warehouse and port logistics including drayage, urban delivery services and stationary power applications. With the assistance of TR's on-site production and supply equipment, creating hydrogen both via water electrolysis and steam reforming of natural gas, biogas or bioethanol, Loop will be able to provide more convenient and cost-effective hydrogen solutions to its global customers.

In June 2021, Loop announced the order of the company's S300 fuel cell module by Slovakia-based company, Mobility & Innovation a.s. ("**M&I**"), to fuel the electric powertrain of their new eight-meter transit bus as part of M&I's composite platform. This order is the first under the commercial agreement signed between the parties, which anticipates over $1.9 million U.S. Dollars in fuel cell shipments from Loop over the next two and a half years. In September 2021, Loop announced the first shipment of a complete fuel cell system to M&I.

In June 2021, Loop announced a partnership with GreenCore to develop and build hydrogen-powered EV charging stations. The parties anticipate the first pilot installation to be completed during 2021 with more than 1,500 EV charging and hydrogen refueling stations by the end of 2026.

In May 2021, Loop announced an agreement with Aliant Battery ("**Aliant**"), a division of ELSA Solutions SRL, a systems integrator based in Italy specializing in development of battery-electric solutions for commercial vehicles and stationary power applications. This agreement marks a key step for Loop in advancing hydrogen-based electric solutions for commercial vehicles and it allows Loop to meaningfully engage with Aliant's extensive list of OEM customers that manufacture commercial vehicles and transportation fleets, as well as industrial and heavy-duty materials handling equipment.

In April 2021, Loop announced the receipt and fulfillment of an order for ten units of the Company's proprietary eFlow® fuel cell modules from Beijing IN-Power for integration by Skywell New Energy Vehicles Group ("**Skywell**") in Nanjing, China. The shipment marks the second phase of a previously announced memorandum of understanding between the Lishui Economic Development Zone of Nanjing and Beijing IN-Power — Loop's China-based joint venture partner supplying the fuel cell engines.

In April 2021, Loop and BayoTech announced a joint market development agreement for the deployment of hydrogen vehicles and hydrogen fueling infrastructure. The collaboration aims at reducing the complexity of adopting hydrogen electric solutions by providing fleet operators with clear and actionable strategic direction in respect to fuel cell powered vehicles and hydrogen fuel infrastructure. Under the agreement, Loop and BayoTech will collaborate on the development of market opportunities for the deployment of vehicles manufactured by Loop's OEM customers in combination with on-site hydrogen generation infrastructure provided by BayoTech. The initial scope of such market development activities is further centered around the vertical markets of materials handling, warehouse and port logistics, including drayage; transit and coach bus service; urban delivery services; and stationary power applications.

In March 2021, Loop and Rheintal-Transporte ("**Rheintal**") announced an agreement for the development and supply of heavy-duty hydrogen fuel cell range extension solutions for battery electric trucks in Europe. As a part of the agreement, Rheintal is looking to use Loop's eFlow™ fuel cell modules to expand driving range capabilities of battery electric trucks to the levels required by its fleet of long-haul cold-chain logistics vehicles. Rheintal anticipates orders of eFlow™ fuel cell modules for more than 20 zero-emission hydrogen trucks and trailers over the next 24 months. In addition, the agreement provides Rheintal with full access to Loop's complementary Total Customer Care services. This offering provides end-to-end technical support as well as access to a network of pre-qualified channel partners specializing in hydrogen electric power train design, supply of various sub-system components and hydrogen fuel infrastructure.

In March 2021, Loop and Morello Giovanni S.r.l. ("**Morello**") announced the signing of a strategic cooperation agreement for the development and manufacture of heavy-duty hydrogen electric material handling equipment. The agreement anticipates Loop supplying Morello with its eFlow™ fuel cell modules for integration into hydrogen electric heavy-duty tractors, purpose-engineered for the handling of extra-heavy loads inside industrial plants, including steel and paper mills. The two companies are targeting design completion during 2021, followed by the construction and deployment of the initial quantity of 10 heavy-duty tractors, powered by Loop fuel cells, with early-adopter customers over the following 18 months.

In January 2021, Loop announced the signing of a Memorandum of Understanding and Commercial Agreement with ECUBES – a rapidly growing developer of hydrogen electric systems for stationary power applications based in Slovenia, Europe. The agreement contemplates deliveries in excess of fifty eFlow® fuel cell modules to ECUBES over a two-year period. In March 2021, Loop announced the shipment of its first unit of eFlow™ fuel cell module to ECUBES.

Loop Shanghai

In June 2021, Loop incorporated a wholly owned subsidiary, Loop Energy Technologies (Shanghai) Co. Ltd ("**Loop Shanghai**"). During the third quarter of 2021, Loop Shanghai entered into a lease agreement to secure a premise to house its production facilities. The fit out of the leased space is currently underway and Loop Shanghai is procuring the equipment necessary for fuel cell stack assembly and fuel cell system production.

Initial Public Offering

On February 25, 2021, the Company completed its initial public offering ("IPO" or the "Offering") of an aggregate of 6,250,000 common shares of Loop at a price of $16.00 per common share. The Company's common shares began trading on the TSX under the symbol "LPEN". In conjunction with the IPO, the Company:

- Consolidated its issued and outstanding preferred shares and common shares on the basis of one post-consolidation common share for three pre-consolidation common shares.
- Converted all issued and outstanding preferred shares to common shares.
- Converted all issued and outstanding convertible debentures into common shares.
- Granted 230,632 stock options exercisable at a price of $16 per common share for a period of 10 years to certain directors, management and employees of the Company.
- Issued 314,500 special advisor warrants to certain advisors exercisable at a price of $16 per common share for a period of one year from the closing of the IPO.

All share and per share information in this MD&A have been amended retrospectively to reflect the share consolidation.

The Company anticipates that the IPO will allow the Company to work through its business objectives for fiscal 2021, as described below.

Additional information with respect to the IPO is available in the Company's final long form prospectus dated February 18, 2021 and filed on SEDAR at www.sedar.com.

FISCAL 2021 BUSINESS OUTLOOK

Consistent with the Company's past practice, we are not providing specific financial performance guidance for 2021. Due to the early stage of development of the market for hydrogen fuel cell products, it is difficult to accurately predict future revenues, cash flows or results of operations on a quarterly basis.

Loop continues to advance the business in geographic reach, manufacturing capability and product offerings. These advances are intended to enable Loop to take maximum advantage of the projected growth of the fuel cell industry to expand its revenues; increase its manufacturing capacity, control quality, secure supply and reduce costs; and broaden the customer base for Loop's products. The Company has developed, and is in the process of executing, a strategic plan designed to accomplish these objectives and to grow its customer base in the key markets of Europe and China.

Loop is focused on expanding its local presence in the European market and has added additional sales and business development staff, as well as establishing a local field service presence to support the sales, integration and post-sales support efforts. For the duration of 2021, products for the European market will be built at the Company's manufacturing facility in Burnaby, British Columbia and will be shipped to Europe.

Loop also expects to continue to expand into the China market. In addition to existing strategic customer relationships, Loop's objective is to expand its market presence in China by engaging additional channel partners in key vertical markets, as well as establishing local field service and manufacturing capabilities. In June 2021, Loop incorporated a wholly owned subsidiary, Loop Shanghai, as a first step towards achieving this objective. To better support new customer engagement efforts, Loop intends to expand its Asia sales and business development team, including building a China based business development team and a technical sales group.

Manufacturing localization is another critical element of the expansion into China. Loop Shanghai has secured a location and has commenced the fit out of a manufacturing facility in China. This facility has been designed to produce both Loop fuel cell stacks and Loop fuel cell modules for the Chinese market, with the long-term goal of having bipolar plate production in China. Loop Shanghai is currently procuring the equipment necessary for fuel cell stack assembly and fuel cell system production. This will help ensure that Loop is well-positioned to meet all localized requirements, to control and protect its intellectual property and meet the manufacturing cost reduction targets required to be a leader in the China fuel cell market.

Loop made its first commercial shipment of the S300 product during 2021 and anticipates making its first commercial shipment of the T600 product in late-2021. In addition, Loop is currently developing its next generation fuel cell stack. The first prototypes of this next generation fuel cell stack are being built and tested, with the first field deployments planned for early-2022. Loop intends to continue to expand its product development, testing and prototyping capabilities, through the addition of testing equipment and personnel.

Loop continues to advance its vertical integration of manufacturing by centralizing the manufacturing capability for certain key components into the Burnaby-based manufacturing facility. This process has been completed for one key component and is currently in progress for an additional component. We continue to analyze the benefits of centralizing manufacturing capabilities and, as a result, the manufacturing of additional components may be centralized in the future.

Outlook Summary

The timing and full realization of the opportunities above, under the current market environment, cannot be assured due to risks associated with trade, including disruptions to supply chains, public health and other geopolitical risks including changes in government subsidies and incentive programs and investment in hydrogen infrastructure. However, we believe it is important to understand the magnitude of these opportunities and the transformative impact that any of them can have on the business going forward. Over the past several years we have taken significant steps to improve the financial capacity of the Company by accepting strategic investments, thereby strengthening our consolidated financial position, which we expect will provide the Company with sufficient liquidity to execute its operating plans for at least the next twelve months. The Company is also considering additional potential sources of financing. We have pursued research and product development to expand use cases across our mobility program. We have worked to establish commercial opportunities with global companies that we believe will support our trajectory to a larger scale.

The COVID-19 pandemic continues to evolve rapidly and, as a result, it is difficult to accurately assess its continued magnitude, outcome and duration. The timing of the ongoing global immunization effort, including the effectiveness of the vaccines, and the severity of outbreaks of variants of the virus are still highly uncertain and cannot be predicted, and as a result, the long-term impact of the pandemic on our business, financial condition and operating results cannot be determined. A continuation of the pandemic may result in reduced cash flow and financial condition, including potential liquidity constraints and potential reduced access to capital as a result of any credit tightening generally or due to continued declines in global financial markets. Our business has continued to grow and expand its presence in the China and European markets. We have followed provincial guidelines and implemented safety protocols, policies, and procedures to ensure that the health and safety of our employees are considered. We continue to monitor and follow guidance from health officials and government and as of the date of this MD&A, we have not experienced any material business disruptions or a direct material financial impact as a result of the pandemic.

Future Markets

We believe there are several drivers that will accelerate growth in our markets in the coming years, including the electrification of transport, elimination of diesel fuel and ongoing concern regarding air quality and climate change. Additionally, a number of governments around the world are supporting these developments with policy and funding initiatives. Hydrogen is a versatile energy carrier that enables the coupling of sectors that depend upon energy. Renewable power generation, efficient grid operations and industrial demand and transport can all be served in an integrated way with hydrogen. Accordingly, we believe our competence in fuel cells supports attractive future market optionality for the Company.

RESULTS OF OPERATIONS

Operating Results for the Three and Nine Months Ended September 30, 2021 and 2020

Selected Interim Financial information (in thousands of CAD dollars, except per share amounts)	**Three months ended September 30,**		**Variance**	
	2021	**2020**	**$**	**%**
Revenues	$ 206	$ 353	(147)	(42)
Cost of sales	863	-	863	100
Gross margin	(656)	353	(1,009)	(286)
Expenses:	5,898	3,146	2,752	87
Less cost recoveries:	(33)	(544)	511	(94)
Net expenses	5,865	2,602	3,263	125
Loss before the undernoted	(6,521)	(2,248)	(4,272)	190
Other income (expenses):	(19)	(190)	171	(90)
Net loss for the period	$ (6,540)	$ (2,438)	(4,102)	168
Other comprehensive income	19	-	19	100
Total comprehensive loss for the period	$ (6,521)	$ (2,438)	(4,083)	167
Loss per common share – basic and diluted	$ (0.19)	$ (0.14)	(0.05)	36

Selected Interim Financial information (in thousands of CAD dollars, except per share amounts)	**Nine months ended September 30,**		**Variance**	
	2021	**2020**	**$**	**%**
Revenues	$ 1,296	$ 353	943	267
Cost of sales	2,648	-	2,648	100
Gross margin	(1,353)	353	(1,706)	(483)
Expenses:	17,867	7,299	10,568	145
Less cost recoveries:	(1,911)	(1,331)	(580)	44
Net expenses	15,956	5,968	9,988	167
Loss before the undernoted	(17,309)	(5,615)	(11,694)	208
Other income (expenses):	(255)	(521)	266	(51)
Net loss for the period	$ (17,564)	$ (6,136)	(11,428)	186
Other comprehensive income	19	-	19	100
Total comprehensive loss for the period	$ (17,545)	$ (6,136)	(11,409)	186
Loss per common share – basic and diluted	$ (0.58)	$ (0.34)	(0.24)	71

	September 30, 2021	December 31, 2020	Variance	
			$	%
Cash and cash equivalents	$ 77,810	$ 3,201	74,609	2,331
Total assets	91,056	10,252	80,804	788
Total non-current financial liabilities	1,718	606	1,112	183

Revenues

Revenues decreased to $0.2 million for the three months ended September 30, 2021, compared to $0.4 million for the same period last year, primarily due to the sale of three fuel cell units during the three months ended September 30, 2020, compared to two fuel cell units for the same period this year.

Revenues increased to $1.3 million for the nine months ended September 30, 2021, compared to $0.4 million for same period last year, due to an increase in the number of fuel cell units sold during the nine months ended September 30, 2021.

Cost of sales

Cost of sales for the three and nine months ended September 30, 2021 and 2020 comprised of the following:

(in thousands of CAD dollars)	Three months ended September 30,		Nine months ended September 30,	
	2021 $	2020 $	2021 $	2020 $
Cost of goods sold	$ 288	$ -	$ 1,512	$ -
Warranty provision	35	-	283	-
Write-down of inventory[1]	540	-	853	-
	863	-	2,648	-

(1) The write-down of inventory included in cost of sales for the three and nine months ended September 30, 2021 relates to the write-down of finished goods which are expected to be sold in future periods.

Cost of sales increased to $0.9 million and $2.6 million for the three and nine months ended September 30, 2021, respectively, compared to $nil for the same periods last year, primarily due to the cost of the fuel cell units and equipment sold during the three and nine months ended September 30, 2021, an associated warranty provision related to these units and write-downs recorded on finished goods expected to be sold in future periods.

The Company expects that the warranty provision, as a proportion of revenues, will decrease in the future due to expected reduced raw material and production costs associated with the completion of the Loop Shanghai production facility.

Expenses

Expenses increased to $5.9 million and $17.9 million for the three and nine months ended September 30, 2021, respectively, compared to $3.1 million and $7.3 million for the three and nine months ended September 30, 2020, respectively, primarily as a result of increased product development, general and administrative, business development and technology development costs as discussed below.

Product Development Expenses (PDE)

PDE were $2.6 million and $7.7 million for the three and nine months ended September 30, 2021, respectively, compared to $2.2 million and $4.8 million for the same periods last year, respectively. The increase in PDE for the three and nine months ended September 30, 2021, was primarily related to product design supporting the use of our fuel cell modules in additional mobility vehicle applications and furthering the development on our next generation fuel cell stack platform and is summarized as follows:

- Salaries and benefits increased by $0.8 million and $1.8 million, respectively, due to an increase in headcount to facilitate our increased development activities following the IPO in early-2021; and

- An increase in supplies of $0.7 million for the nine months ended September 30, 2021, compared to the same period last year, due to increased purchases for product design, development and testing following the IPO in early-2021.

partially offset by:

- A decrease in supplies of $0.6 million for the three months ended September 30, 2021, compared to the same period last year, primarily due to product design, development and testing costs associated with the T505 series during 2020.

General and Administration (G&A)

G&A expenses were $2.0 million and $7.5 million for the three and nine months ended September 30, 2021, respectively, compared to $0.7 million and $2.2 million, respectively, for the same periods last year. The increase is G&A expenses is primarily due to:

- Increases in salaries and benefits of $0.4 million and $1.0 million, respectively, primarily due to increased headcount, and associated stock-based compensation, to service the increased corporate activities;

- Increases in administration and professional fees of $0.6 million and $2.3 million, respectively, primarily due to increased insurance expenses relating to insurance coverage for the Company's directors and officers and an increase in expenses as a direct result of the IPO including an increase in legal fees, audit fees, human resource fees, accounting fees, investor relations fees, general consulting fees, and compliance fees; and

- An increase of $1.7 million for the nine months ended September 30, 2021 relating to the Company granting special advisor warrants and recognizing a non-cash share-based compensation expense of $1.7 million during the first quarter of 2021.

Business Development (BD)

During the three-and nine months ended September 30, 2021, the Company invested in various BD initiatives mainly related to early-market development activities in Europe. BD costs increased to $0.9 million and $1.9 million for the three and nine months ended September 30, 2021, respectively, compared to $0.2 million in the same periods last year, primarily due to increased headcount, and communications and consultancy fees to support these initiatives.

Technology Development

During the three and nine months ended September 30, 2021, the Company engaged in new initiatives related to early-stage technology research and new material development. Technology Development costs increased to $0.4 million and $0.8 million for the three and nine months ended September 30, 2021, respectively, compared to $0.1 million in the same periods last year, primarily due to an increase in headcount and consulting fees to support these initiatives.

Cost recoveries

Expenses for the three and nine months ended September 30, 2021, were offset by cost recoveries of $0.0 million and $1.9 million, respectively (three and nine months ended September 30, 2020 - $0.5 million and $1.3 million, respectively).

During the nine months ended September 30, 2021, we recognized higher recoveries of Sustainable Development Technology Canada ("**SDTC**") credits, which are generated from the Company's capability in completing and delivering certain milestones. During the three-months ended March 31, 2021, the Company achieved the second milestone of its SDTC project. As at September 30, 2021, the Company has recorded deferred recoveries of $2.4 million relating to SDTC credits, which it expects to realize in future periods. The Company is working towards completing the third milestone and anticipates its completion during 2022.

Other income (expenses)

Other income (expenses) of \$0.0 million and \$0.3 million for the three and nine months ended September 30, 2021 was comparable to the same periods last year (2020 - \$0.2 million and \$0.5 million, respectively).

Net loss

Net loss increased by \$4.1 million and \$11.4 million for the three and nine months ended September 30, 2021, compared to the same periods last year, mainly due to the increase of PDE, G&A, BD and Technology Development expenses as the Company continues to grow its team and invest in fuel cell design and development activities, as discussed above.

Summary of Quarterly Results

The following tables provides summary financial information prepared in accordance with IFRS for our last eight quarters:

Selected Interim Financial information (in thousands of CAD dollars, except per share amounts)	**Three months ended** **September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**
Revenues	$ 206	$ 1,090	$ -	$ 193
Net loss	$ (6,540)	$ (6,152)	$ (4,872)	$ (2,785)
Loss per common share – basic and diluted	$ (0.19)	$ (0.18)	$ (0.20)	$ (0.15)

Selected Interim Financial information (in thousands of CAD dollars, except per share amounts)	**Three months ended** **September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**
Revenues	$ 353	$ -	$ -	$ 339
Net loss	$ (2,438)	$ (1,768)	$ (1,930)	$ (721)
Loss per common share – basic and diluted	$ (0.14)	$ (0.10)	$ (0.11)	$ (0.04)

There were no significant seasonal variations in the above quarterly results. Variations in our loss for the above periods were affected primarily by the following factors:

Revenues

Revenues were $0.2 million for the three months ended September 30, 2021, and $1.1 million for the three months ended June 30, 2021, primarily due to the sale of units during the period. The decrease in revenues during the three months ended September 30, 2021, relative to the three months ended June 30, 2021, was primarily due to the fulfillment of an order for ten fuel cell modules for the Skywell integration during the three months ended June 30, 2021. Prior to June 30, 2021, the Company had only recognized insignificant revenues as the Company was primarily engaged in product development and testing.

Net loss

Net loss has generally been increasing during the trailing eight quarters primarily due to the increased product development initiatives, and more recently, costs associated with the Company's IPO in early-2021.

LIQUIDITY, CAPITAL RESOURCES AND CASH FLOWS

Liquidity and Capital Resources

The following table presents our liquidity and working capital as at September 30, 2021 and December 31, 2020:

(in thousands of CAD dollars)	September 30, 2021	December 31, 2020	Variance $	Variance %
Cash and cash equivalents	$ 77,810	$ 3,201	74,609	2,331
Working capital (deficiency)	79,167	(2,063)	81,230	3,937

The Company's working capital position, being its current assets less its current liabilities, improved with the successful IPO transaction during the three months ended March 31, 2021. Cash and cash equivalents increased by $74.6 million, to $77.8 million, during the nine months ended September 30, 2021, as compared to a cash balance of $3.2 million as at December 31, 2020, primarily due to net proceeds of $92.3 million from the IPO equity injection in February 2021. This was partially offset by $15.7 million used in operating activities and a $1.2 million investment in equipment which was primarily capital costs associated with the build of our test lab.

The Company's primary focus has been on product development and has had limited revenues to date. As a result, the Company has experienced significant historical losses resulting in an accumulated deficit of $50.3 million as at September 30, 2021, and has experienced significant negative cash flow from operations. During the three-months ended March 31, 2021, the Company completed its IPO, raising gross proceeds of $100 million, and converted its convertible debt to common shares. This eliminated the working capital deficiency and resulted in a working capital balance of $79.2 million as at September 30, 2021, which we expect will provide sufficient liquidity for the Company to execute its operating plans for at least the next twelve months. Failure to achieve this objective could have a material adverse effect on our financial condition and results of operations. The Company is also considering additional potential sources of financing. Our actual liquidity requirements may vary and there are risks and uncertainties associated with our ability to achieve this liquidity objective including, but not limited to, the market acceptance and rate of commercialization of our products, the ability to successfully execute our business plan, and general global economic conditions, certain of which are beyond our control.

During the three months ended March 31, 2021, the Company completed the IPO. The Company intended to use the net proceeds from the Offering for product and technology development, sales, general and administration expenses and capital assets. The Company's product and technology development, sales and general and administration expenses are working capital in nature. The use of net proceeds of the Offering, relating to capital assets, during the nine months ended September 30, 2021, were as follows:

(in thousands of CAD dollars)	Intended use of net proceeds	Use of net proceeds as at September 30, 2021	Variance $	Variance %
Capital assets	$ 66,000	$ 1,143	(64,857)	(5,674)

The Company is still in the process of purchasing capital assets for use in our Burnaby testing and manufacturing facility to aid in the testing and design of its balance of plant and fuel cell stacks, for the assembly of our fuel cell stacks and equipment for use in the design of a pilot manufacturing line for elements of our bipolar plate assembly and for the fit out of the Loop Shanghai production facility. As at September 30, 2021 we have outstanding commitments of $7.7 million related to purchases of property, plant, and equipment. Capital expenditures are expected to be funded through existing cash and cash equivalents on hand.

We consider our capital to consist of shareholders' equity and total debt, net of cash. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing and is supplemented by applying for government grant programs, where available. Future financings are dependent on market conditions and the ability to identify sources of investment. There can be no assurance the Company will be able to raise funds in the future.

In July 2021, Loop Shanghai signed a factory lease agreement, effective from July 1, 2021 until December 31, 2024, with options to extend the lease for up to an additional six-years from the initial lease term and to increase the leased area at any point during the lease term, which are exercisable by Loop Shanghai. The lease provides a rent-free period until December 31, 2021, at which point the lease cost is approximately $0.2 million per annum, which through the firm-period of the agreement, is reimbursable by a government agency in China.

In February 2021, the Company entered into a lease agreement for an additional premise in Burnaby through to September 29, 2024. The lease payments under the lease agreement are $0.3 million per annum.

Summary of Cash Flows

Cash used in and/or provided by operating, investing and financing activities

	Nine months ended		Variance	
(in thousands of CAD dollars)	**September 30, 2021**	**September 30, 2020**	**$**	**%**
Net operating cash flow	$ (15,667)	$ (5,063)	(10,604)	209
Net investing cash flow	(1,230)	(326)	(904)	277
Net financing cash flow	91,509	9,558	81,951	857

Cash used in operating activities increased by $10.6 million, to $15.7 million for the nine months ended September 30, 2021, compared to $5.1 million for the nine months ended September 30, 2020, mainly due to the continued investment into product development and technology development initiatives, as the Company continues to grow its team and continue with design and engineering of its fuel cell modules, as well as an increase in general and administrative expenses to support these initiatives and an increase in business development expenses to grow the Company's customer base. The successful completion of the IPO during the three months ended March 31, 2021, and the resulting $100 million of gross proceeds raised, enabled the Company to increase the scale of its product development initiatives during the nine months ended September 30, 2021, relative to the same period last year.

Cash used in investing activities increased by $0.9 million, to $1.2 million for the nine months ended September 30, 2021, compared to $0.3 million for the nine months ended September 30, 2020, relating entirely to investments in equipment and leasehold improvements. The expenditures in the current period were primarily related to the purchase of additional equipment to expand the Company's testing and manufacturing facilities.

Cash provided by financing activities increased to $91.5 million for the nine months ended September 30, 2021, compared to $9.6 million for the same period last year. The increase in cash flows was primarily a result of the issuance of $100.0 million of common shares, partially offset by share issuance costs paid of $7.7 million, through the IPO on February 25, 2021, compared to the issuance of $10.0 million of preferred shares during the nine months ended September 30, 2020.

OFF BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company has related party relationships, as defined by IFRS, with its key management personnel, which includes the members of the Board of Directors and the executive team. In addition to their salaries, key management personnel also participate in the Company's share-based compensation plan. Related party transactions with key management personnel for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
(in thousands of CAD dollars)	**$**	**$**	**$**	**$**
Salaries and benefits	542	243	1,270	642
Share-based payments	301	78	1,265	224
Director fees	31	-	94	-
	874	321	2,629	866

As at September 30, 2021, the Company had $0.5 million (December 31, 2020 - $0.3 million) in accounts receivable and an insignificant amount (December 31, 2020 - $0.3 million) in accounts payable and accrued liabilities, and for the three and nine months ended September 30, 2021, the Company recorded $0.3 million in revenues (three and nine months ended September 30, 2020 - $0.3 million prior to intercompany eliminations), from transactions with a joint venture. The transactions were carried out in the normal course of operations and have been measured at their exchange value.

Related party transactions and balances are disclosed in note 18 of the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 and note 17 of the audited consolidated financial statements for the year ended December 31, 2020.

CRITICAL ACCOUNTING ESTIMATES

The Company's management uses its judgement when applying the Company's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. The preparation of financial information requires management to make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and on the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant in the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

<u>Key Sources of Estimation Uncertainty</u>

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the reported amount of assets, liabilities, revenues and expenses within the next financial year.

a) *Share-based payments:*

The Company uses the Black-Scholes option pricing model. This inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates. Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in the statements of loss and comprehensive loss and to equity reserves in a given period.

The Company recognized share-based payments expense for options granted and vesting, net of recoveries on cancellations of unvested options, during the three and nine months ended September 30, 2021 and 2020 with allocations to functional expense as follows:

(in thousands of CAD dollars)	Three months ended September 30, 2021 $	2020 $	Nine months ended September 30, 2021 $	2020 $
Product development	157	24	507	75
General and administrative	212	117	950	321
Business development	104	-	348	-
Technology development	31	-	31	-
	504	141	1,836	396

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted:

	2021
Risk-free interest rate	1.23%
Expected life of options	8.6 years
Expected annualized volatility	74%
Dividend	0%
Forfeiture rate	0%

Expected annualized volatility was determined through the comparison of historical share price volatilities used by similar publicly listed companies in similar industries.

b) *Determination of the carrying value of inventory*:

In determining the lower of cost and net realizable value of our inventory, the Company estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for our products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than cost. Such assumptions may have a significant impact on the valuation adjustment required for inventory in the Company's consolidated statements of financial position. Where we determine that such changes have occurred and will have a negative impact on the value of inventory on hand, appropriate provisions are made. Such provisions are made on an item-by-item basis except when they cannot be practically evaluated separately from other items. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made.

During the three and nine months ended September 30, 2021, the Company recorded a write down of its inventory, to its net realizable value, of $1.2 million and $2.7 million, respectively (three and nine months ended September 30, 2020- $nil), which are included in cost of sales or product development expenses, depending on the nature of the inventory.

c) Warranty provision

A provision for warranty costs is recognized when the underlying products are sold. In establishing the warranty provision, the Company estimates the likelihood that products sold will experience warranty claims and the estimated cost to resolve claims received, taking into account the nature of the contract and past and projected experience with the products, and applying a weighting of possible outcomes against the associated probabilities that the product will experience warranty claims. In making such determinations, the Company uses estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, the Company may incur costs different from those provided for in the warranty provision, which would impact cost of sales in the Company's consolidated statements of loss and comprehensive loss. The Company reviews the warranty assumptions and adjusts the provision at each reporting date based on the latest information available, including the expiry of contractual obligations.

During the three and nine months ended September 30, 2021, the Company recorded a warranty provision of $0.0 million and $0.3 million, respectively, which is included in cost of sales.

Changes in Accounting Policies and Recent Accounting Pronouncements

The Company's accounting policies are detailed in Note 3 to the Company's annual financial statements for the year ended December 31, 2020. Except for the warranty provision, as described above, and the translation of foreign operations relating Loop Shanghai, the Company did not adopt any new accounting policies in the current period. There are no significant accounting pronouncements which are anticipated to impact the Company's financial reporting.

OUTSTANDING SHARE AND EQUITY INFORMATION

As of the date of this MD&A, the following equity instruments were outstanding:

Common shares	33,648,794
Stock options	2,850,209
Warrants	381,167
Restricted Share Units	58,944

FINANCIAL INSTRUMENTS

As at September 30, 2021, the Company's financial instruments consists of cash and cash equivalents, accounts receivable, accounts payable, long-term debt and lease liabilities. There have been no significant developments, including the associated risks, in the Company's financial instruments as included in the Company's consolidated financial statements as at and for the year ended December 31, 2020. The carrying value of the Company's financial instruments as at September 30, 2021 approximates their fair value.

RISKS AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. As a global company, we are subject to the risks arising from adverse changes in global economic and political conditions. Political conditions such as government commitments and policies towards environmental protection and renewable energy may change over time. Economic conditions in leading and emerging economies have been, and remain, unpredictable. These macroeconomic and geopolitical changes could result in our current or potential customers reducing purchases or delaying shipments, which could cause revenue recognition on these products to shift later into 2021 or beyond.

For full details on the risks and uncertainties affecting the Company, please refer to the Company's AIF (see section entitled "Risk Factors") for the year ended December 31, 2020, a copy of which is available on SEDAR at www.sedar.com. The risks and uncertainties described in our AIF are not the only ones that we face. Additional risks and uncertainties, including those that we do not currently know of or that we deem immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

We have designed disclosure controls and procedures, as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), to provide reasonable assurance that material information is identified and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a timely manner to allow decisions regarding required disclosures.

We have also designed internal controls over financial reporting ("ICFR"), as defined in NI 52 109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of ICFR, no matter how well designed, has inherent limitations and cannot provide absolute assurance that all misstatements and instances of fraud, if any, within the Company have been prevented or detected. The Company uses the 2013 Internal Control – Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("**2013 COSO framework**") as the basis for assessing its ICFR.

During the three and nine months ended September 30, 2021, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internals control over financial reporting.